

# HOUSE BILL REPORT

## ESB 5849

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**As Passed House:**

March 9, 2022

**Title:** An act relating to tax incentives.

**Brief Description:** Concerning tax incentives.

**Sponsors:** Senator Warnick.

**Brief History:**

**Committee Activity:**

Finance: 3/7/22, 3/8/22 [DP].

**Floor Activity:**

Passed House: 3/9/22, 96-1.

**Brief Summary of Engrossed Bill**

- Extends the expiration date for a reduced business and occupation tax rate for manufacturers and wholesalers of certain kinds of solar energy systems and their components from July 1, 2027, to July 1, 2032.
- Removes the requirement for industrial and manufacturing lands to be zoned as of December 31, 2014, under the property tax exemption for targeted urban areas.

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**HOUSE COMMITTEE ON FINANCE**

**Majority Report:** Do pass. Signed by 17 members: Representatives Frame, Chair; Berg, Vice Chair; Walen, Vice Chair; Orcutt, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Chase, Chopp, Harris-Talley, Morgan, Orwall, Ramel, Springer, Stokesbary, Thai, Vick, Wylie and Young.

**Staff:** Kyle Raymond (786-7190).

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.*

## **Background:**

### Targeted Urban Area Property Tax Exemption.

Cities and towns are authorized to grant a 10-year local property tax exemption for new industrial or manufacturing facilities in designated areas.

Industrial or manufacturing facilities must be at least 10,000 square feet with an improvement value of at least \$800,000 and meet certain building use standards by the United States Department of Labor. New construction of industrial or manufacturing facilities must:

- be within a targeted area designated by the city;
- be on land that has no existing building improvements and that is zoned for an industrial or manufacturing use as of December 31, 2014;
- meet all construction and development regulations of the city; and
- be completed within three years from the date of approval of the application.

Within one year of building occupancy, the facility must create at least 25 family living wage jobs with an average wage of at least \$23 per hour and that offers health care benefits.

A property owner seeking the exemption must apply to the city governing authority, pay any applicable fees, and enter into a contract with the city agreeing to terms and conditions of the implementation of the development. An application must be approved by a city governing authority. The contract into which an applicant must enter with the city must be approved by the city governing authority. No application for exemption may be submitted on or after December 31, 2030.

The value of the property tax exemption is provided on the value of eligible improvements and applies only to the city portion of the property tax. A county may, by resolution, allow any property receiving an exemption from city property taxes to also receive an exemption from county property taxes. The exemption does not apply to state levies.

### Solar Energy and Silicon Product Manufacturers.

Manufacturers of certain kinds of solar energy systems and their components are subject to a reduced business and occupation (B&O) tax rate of 0.275 percent, compared to the general manufacturing rate of 0.484 percent.

The reduced rate applies to manufacturers and wholesale sellers of: solar energy systems using photovoltaic modules or stirling converters; and components of solar energy systems, including solar grade silicon, silicon solar wafers, silicon solar cells, thin film solar devices, or compound semiconductor solar wafers for use exclusively in solar energy systems.

The reduced B&O tax rate expires July 1, 2027.

## **Summary of Bill:**

Targeted Urban Area Property Tax Exemption.

The requirement under the property tax exemption for targeted urban areas that new construction of industrial or manufacturing facilities be on land that is zoned for an industrial or manufacturing use as of December 31, 2014, is removed.

Solar Energy and Silicon Product Manufacturers.

The reduced B&O tax rate of 0.275 percent for manufacturers and wholesalers of certain kinds of solar energy systems and their components is extended to July 1, 2032.

A tax preference performance statement is included, stating the Legislature's intent to extend by five years the preferential tax rates for manufacturers and wholesalers of specific solar energy material and parts in order to maintain and grow jobs in the solar silicon industry. If a review finds that the number of people employed by the solar silicon industry in Washington is the same or more than in 2019, and that at least 60 percent of employees earn \$60,000 a year or more, then the Legislature intends to extend the expiration date of the tax preference.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2022.

**Staff Summary of Public Testimony:**

(In support) Trade disputes with China have negatively impacted renewable energy manufacturers in the state. Renewable energy installation and development is expanding across the United States, but the majority of the needed products are being shipped from overseas. Renewable energy manufacturing can be competitive in the United States. Other countries provide support to the renewable energy manufacturing, and this bill will help Washington support renewable energy manufacturing in the state.

This bill will create opportunities to grow manufacturing in rural areas, while helping to continue to build the state's clean technology manufacturing sector. This bill would increase Washington's manufacturing base and bring in high-paying jobs that will help grow both the state economy and local economies. In addition to the direct jobs this bill would create, a manufacturer that sites a facility in a rural area also creates a multiplying effect by bringing in smaller businesses that employ more people indirectly.

(Opposed) None.

**Persons Testifying:** Charles Sutton, Renewable Energy Corporation Silicon; and Brant Mayo, Grant County Economic Development Council.

**Persons Signed In To Testify But Not Testifying:** None.